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ALVORD AND ALVORD  
ATTORNEYS AT LAW  
918 SIXTEENTH STREET, N.W.  
SUITE 200  
WASHINGTON, D.C.  
20006-2973  
(202) 393-2266  
FAX (202) 393-2156

ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

RECORDATION NO. 19190  
JAN 27 1995  
OF COUNSEL  
URBAN A. LESTER

January 25, 1995

Mr. Vernon A. Williams  
Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two copies of a Lease of Railroad Equipment, dated as of August 29, 1994, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed document are:

Lessor: Residual Based Finance Corporation  
Three First National Plaza, Suite 1240  
Chicago, Illinois 60602

Lessee: Iron Road Railways Incorporated  
1828 L Street, Suite 402  
Washington, D.C. 20036

A description of the railroad equipment covered by the enclosed document is attached to the Lease as Schedule A.

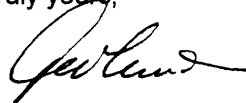
*Enclosed for Mr. Williams*

Mr. Vernon A. Williams  
January 25, 1995  
Page 2

Also enclosed is a check in the amount of \$21.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. W. Alvord", written in dark ink.

Robert W. Alvord

RWA/bg  
Enclosures



Interstate Commerce Commission  
Washington, D.C. 20423-0001

1/25/95

Office Of The Secretary

Robert W. Alvord  
Alvord And Alvord  
918 Sixteenth Street, NW., Ste. 200  
Washington, DC. 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/25/95 at 9:10AM, and assigned recordation number(s). 19190.

Sincerely yours,

*Vernon A. Williams*  
Vernon A. Williams  
Secretary

Enclosure(s)

(0100504002)

\$21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

*James M. Fort*

9190  
RECORDED IN NO. 19190 FILED 1994  
JAN 20 1995 CHICAGO, ILL.

## LEASE OF RAILROAD EQUIPMENT

**LEASE OF RAILROAD EQUIPMENT** dated as of August 29, 1994, between IRON ROAD RAILWAYS INCORPORATED, a Delaware corporation ("Lessee"), and RESIDUAL BASED FINANCE CORPORATION, an Illinois corporation ("Lessor").

### WITNESSETH:

WHEREAS, Lessee desires to lease from Lessor, and Lessor desires to lease to Lessee, the railroad cars (hereinafter referred to, collectively, as the "Cars" and, individually, as a "Car") and locomotives (hereinafter referred to, collectively, as the "Locomotives" and, individually, as a "Locomotive"; the Cars and the Locomotives are hereinafter referred to, collectively, as the "Units" and, individually, as a "Unit") described on Schedule A annexed hereto.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

Section 1. *Delivery and Acceptance of Units.* Lessee has received delivery of and accepted the Units as satisfactory to it.

Section 2. *Rentals.* The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease eighty-four (84) consecutive monthly payments, payable on the first day of each month commencing with September 1, 1994 (or if any such date is not a business day, on the next succeeding business day); provided that Lessee shall also pay rent in the amount of \$3,570.00 on the Units on September 1, 1994 for the period from the date hereof until September 1, 1994; further provided that upon expiration of the term of lease of the Units to Lessee hereunder Lessee shall pay rent to Lessor on demand for each day at the daily rate per Unit set forth below herein until the Units are returned to Lessor or delivered to storage for Lessor pursuant to Section 12 as required herein. Each of the monthly rent payments as to each Car and Locomotive shall be in an amount equal to \$101.20 and \$1,348.60, respectively. Each of the daily rent payments as to each Car and Locomotive after expiration of the term of the Lease shall be in an amount equal to \$3.26 and \$43.50, respectively. All dollar amounts and the symbol "\$" as used herein shall refer to United States Dollars.

The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments provided for in this Lease in immediately available Federal funds (including but not limited to the payments required under Section 6 hereof) for the account of the Lessor, c/o Old Kent Bank, ABA Reference No. 0719-05985, Attention: Residco, Account No. 1055917 (or to such other place or in such other manner as Lessor may from time to time direct Lessee) on or before 11 o'clock a.m. Chicago time on the date upon which payments are due and payable.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions

or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease, or the builder of the Units or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease with respect to Lessee, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 3. *Term of Lease.* The term of this Lease as to each Unit shall begin on the date hereof and, subject to the provisions of Sections 6 and 9 hereof, shall terminate on the last day of the month in which the final monthly payment of rent in respect thereof is due pursuant to Section 2.

Section 4. *Identification Marks.* As of the date of this Lease, the Units bear the "present marks" set forth on Schedule A hereto. Within 30 days after the date of this Lease, the Lessee will cause the Units to be marked and numbered, and thereafter will cause the Units to be marked and numbered, with the identifying numbers and marks set forth as "permanent marks" in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the name of Lessor, followed by the word "Owner" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to and property in such Unit and the rights of the Lessor under this Lease, as well as any other person providing financing to the Lessor. The Lessee will promptly cause such markings to be placed on both sides of each Unit and will replace promptly any such name and words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit except in accordance with a statement of new number or numbers to be substituted therefor, which statement shall have been previously filed with the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited. At the expiration of the Lease, the Lessee shall either assign the rights to the reporting marks then on the Units to Lessor, or change such reporting marks as designated by Lessor, at Lessee's expense.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; *provided, however*, that the Lessee may allow the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 5. *Taxes.* All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, provincial, United States federal, Canadian federal or foreign taxes (including, without limitation, Canadian Goods and Services Tax, Canadian withholding tax and any provincial sales tax) (other than any United States federal and State of Illinois tax payable by the Lessor on its net income in consequence of the receipt of payments provided for herein and other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, levies, imposts, deductions, withholdings, assessments, charges, fines or penalties (all such expenses, taxes, license fees, levies, imposts, deductions, withholdings, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, or the purchase of the Units by Lessor, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; *provided, however*, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor. If the Lessee shall be required by law to deduct any impositions from or in respect of any sum payable hereunder (A) the sum payable shall be increased as may be necessary so that after making all required deductions of impositions (including deductions of impositions applicable to additional sums payable under this Section 5) Lessor receives an amount equal to the sum it would have received had no such deductions been made, (B) the Lessee shall make such deductions and (C) the Lessee shall pay the full amount so deducted to the relevant taxation authority or other authority in accordance with applicable law.

In the event any reports with respect to impositions are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units or notify the Lessor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

Section 6. *Payment for Casualty Occurrences; Insurance.* In the event that any Unit shall be or become worn out, lost, stolen, confiscated, permanently rendered unfit for use, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, the Lessee shall promptly and fully notify the Lessor with respect thereto, and in any event within 60 days of the determination by Lessee of a Casualty Occurrence. On the monthly rental payment date next succeeding such notice, the Lessee shall pay to the Lessor the rental payment due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the Schedule B annexed hereto. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and Lessor shall, upon request of Lessee, deliver to or upon the order of Lessee a bill of sale (without warranty) for such Unit.

The Casualty Value of each Unit as of any monthly rental payment date shall be as is set forth in the Schedule B annexed hereto opposite such date. Reference to a payment number on such schedule shall be deemed to refer to payment date corresponding thereto (e.g., the Casualty Value for the payment date of November 1, 1994 corresponds to payment 3 resulting in a Casualty Value of \$5,520 per Car).

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit.

Lessee will, at all times prior to the return of the Units to Lessor, at its expense carry and maintain or cause The Windsor & Hantsport Railway Company Limited, a corporation incorporated under the laws of Nova Scotia, Canada ("Windsor"), in its capacity as sublessee under the Sublease of Railroad Equipment dated as of August 29, 1994 between Windsor and Lessee (as the same may be amended, modified or supplemented from time to time, the "Sublease") to carry and maintain with companies of reputable standing public liability insurance with respect to third party personal injury and property damage, against such risks and in such amounts as is consistent with prudent industry practice, as to which Lessor and any of Lessor's assignees will be named additional insured. Lessee shall maintain or cause Windsor to maintain all risk property and casualty insurance (including physical damage insurance) as to the Units, as to which Lessor shall be named loss payee pursuant to standard long form loss payee endorsements, in an amount not less than the Casualty Value thereof with companies of reputable standing. Lessee or Windsor (as the case may be) will provide to Lessor and to each assignee of Lessor, upon request, a statement of the insurance maintained pursuant to the insurance provisions of this Lease together with certified copies of all applicable insurance policies and endorsements required hereby. Any net insurance proceeds as the result of insurance carried by the Lessee or Windsor (as the case may be) received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted

from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 6. If the Lessor shall receive any such net insurance proceeds or condemnation payments after the Lessee shall have made payments pursuant to this Section 6 without deduction for such net insurance proceeds the excess insurance proceeds received by Lessor over the amount of the Casualty Value for a Unit shall be paid over to Lessee. All insurance required hereunder shall be maintained with insurance companies rated not less than A12 or higher by A. M. Best Company, Inc. or other insurance companies approved by Lessor.

**Section 7. *Annual Reports and Financial Reports.*** On or before March 31 in each year, commencing with March 31, 1995, the Lessee will furnish to the Lessor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 4 hereof. The Lessor shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease. Lessee will furnish to Lessor and any assignee of Lessor not later than 120 days after the end of each fiscal year of Lessee and Windsor, a statement of financial position of each of Lessee and Windsor as at the end of such fiscal year, and statements of income and cash flow of Lessee and Windsor for such fiscal year, together with equivalent information for the prior fiscal year, all in reasonable detail, prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistently maintained throughout the periods involved and bearing the unqualified opinion of a nationally recognized firm of independent certified public accountants. Lessee will furnish to Lessor and any assignee of Lessor not later than 45 days after the end of each fiscal quarter of Lessee and Windsor, a statement of financial position of each of Lessee and Windsor as at the end of such fiscal quarter, and statements of income and cash flow of Lessee and Windsor for such fiscal quarter and the period from the beginning of the then current fiscal year of Lessee or Windsor, as the case may be, to the end of such fiscal quarter, together with equivalent information for the same period in the prior fiscal year, all in reasonable detail, prepared in accordance with Canadian generally accepted accounting principles and the applicable rules promulgated under the National Transportation Act (Canada) (the "NTA Rules") applied on a basis consistently maintained throughout the periods involved and accompanied by the certification of the Chief Financial Officer of Lessee and Windsor, respectively, that such statements are accurate in all material respects and have been prepared in accordance with Canadian generally accepted accounting principles and the NTA Rules consistently applied, subject to changes resulting from normal year-end adjustments and the lack of footnotes.

**Section 8. *Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and Indemnification.*** THE LESSEE LEASES THE UNITS "AS-IS, WHERE-IS". THE LESSOR MAKES NO CONDITION, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO CONDITION, WARRANTY OR REPRESENTATION OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS



**TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF**, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. All Units are in all respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on matters relating to the conditions of any Unit.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads (except for the use of friction bearings), the NTA Rules, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission, the Nova Scotia Department of Transportation and Communications and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units in the service for which they were intended, and in the event that such laws or rules require any alteration of any Unit, or in the event that any equipment or appliance on any such Unit shall be required to be changed or replaced, or in the event that any additional or other equipment or appliance is required to be installed on any such Unit in order to comply with such laws or rules, the Lessee will make such alterations, changes, replacements and additions at its own expense; *provided, however*, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit in good condition and repair and in efficient working order in accordance with manufacturers' guidelines and specifications, ordinary wear and tear resulting from proper use thereof alone excepted, and in efficient working order over the term of this Lease, acceptable for unrestricted use under load in interchange service in conformity with the AAR Interchange Rules (except for the use by the Units of friction bearings) and operable in conformity with the requirements of any other governmental or nongovernmental agency having jurisdiction over the operation, safe condition, maintenance or use of the Units. The Units shall be delivered to Lessor as required pursuant hereto in the condition ("Return Condition") required pursuant to the preceding sentence at the expiration of this Lease with respect to such Units and free of all commodity accumulations and deposits. Lessee will not, and Lessee will not allow any third party to, alter materially the physical structure of any of the Units without Lessor's prior written consent; provided that Lessee may in any event modify the Units so long as their value is not impaired if Lessee gives Lessor 10 days prior written notice of such modifications including a description thereof. Any parts installed or replacements made by Lessee upon any Unit shall be considered accessions to such Unit and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor, free from any lien, charge, security interest or encumbrance, provided that if additions to the Units to which Lessor has consented are readily removable without material damage or diminution to the Units or impairing their use or their Return Condition, then Lessee may remove the same prior to return of the Units to Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel

fees and expenses, any patent royalties and damages in respect of the Units and parts thereof, penalties and interest, arising out of or as the result of the entering into or the performance of this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state, provincial or other regulatory authority by reason of the ownership by the Lessor or the leasing thereof to the Lessee.

Section 9. *Default.* If, during the continuance of this Lease, one or more of the following events (each such event being hereinafter sometimes called an "Event of Default") shall occur:

- (a) Lessee shall fail to pay any sum required to be paid by Lessee;
- (b) Lessee or Windsor, any other sublessee of any of the Equipment, any shareholder of Lessee or any issuer of a letter of credit to Lessor in connection with this Lease (collectively, the "Related Parties") shall fail to carry out and perform any of the obligations on its part to be performed under this Lease or any agreement, instrument or document from time to time executed and delivered by one or more of Lessee and the Related Parties in connection herewith, as amended, modified or supplemented from time to time, including without limitation each Pledge Agreement from a shareholder of Lessee to Lessor and the Assignment of Sublease from Lessee to Lessor (the "Assignment") (collectively, the "Other Documents") and (except in the case of the Assignment as to which no grace period shall be applicable) any such failure shall continue for at least 30 days, any representation or warranty made by Lessee or any Related Party herein, in any Other Document or in connection herewith shall be misleading or false in any material respect as of the date made;
- (c) any proceeding shall be commenced by Lessee or any Related Party for any relief under any bankruptcy or insolvency law or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension;
- (d) any proceeding shall be commenced against Lessee or any Related Party for relief under any bankruptcy or insolvency law or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and such proceeding shall continue unstayed or undismitted for a period of 60 consecutive days, or an order granting the relief requested in such proceeding against the Lessee or any Related Party shall be entered;

(e) the Lessee or any Related Party becomes insolvent or fails generally to pay its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Lessee or for the major part of its property;

(f) Lessee attempts to remove, sell, transfer, encumber, part with possession or sublease (except as expressly permitted herein) the Units or any part thereof;

(g) any Related Party shall or shall attempt to terminate, revoke, or otherwise contest or deny the enforceability of, any of the Other Documents, or any letter of credit included in the other documents shall terminate prior to August 29, 1997; or

(h) any Event of Default shall occur under the Sublease; or

(i) on or before December 31, 1998, the term of the Sublease shall not have been extended to August 31, 2001;

then, in any such case, the Lessor, at its option, may:

(x) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(y) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (A) the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (B) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a rate of 9% per annum, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, including reasonable attorneys' fees and expenses, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

**Section 10. *Return of Units Upon Default.*** If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith place such Units upon such storage tracks of Windsor as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport and deliver the same to any place on the lines of the Conrail, Inc. specified by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

**Section 11. *Assignment; Possession and Use.*** This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights

under Sections 5, 6 and 9 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of Lessor, its shareholders and the Lessor's assigns (including the shareholders of Lessor and any beneficiary of any such assignee if such assignee is a trust). Whenever the term Lessor is used in this Lease it shall also apply and refer to each such assignee of the Lessor.

So long as no Event of Default has occurred and is continuing, the Lessee shall be entitled to the quiet enjoyment, possession and use of the Units in accordance with the terms of this Lease, and such quiet enjoyment, possession and use shall not be interrupted by Lessor or any party claiming through Lessor.

Without the prior written consent of the Lessor, the Lessee shall not assign nor transfer its leasehold interest under this Lease in the Units or any of them. Lessee shall also not sublease the Units, except that the Lessee may sublease the Units to Windsor pursuant to the terms of the Sublease heretofore delivered by Lessee to Lessor. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the two immediately preceding sentences. The Lessee, at its own expense will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, or the Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises.

The Units shall be used in a prudent manner consistent with all applicable laws solely in the use, service and manner for which the Units were designed; *provided, however*, that the Lessee shall not permit any of the Units to at any time be located outside the Province of Nova Scotia, Canada or permit any of the Units to be located outside of Kings County, Hants County and Halifax County (each in Nova Scotia) other than on a temporary incidental basis, prior to their return to Lessor.

Section 12. *Return of Units upon Expiration of Term.* As soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will (unless the Unit is sold to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or Windsor, as the Lessor may designate (which the Lessor shall designate 30 days prior to the expiration of the term of this Lease), and permit the Lessor to store such Unit on such tracks for a period not exceeding four months and transport and deliver the same, at any time within such four-month period, to any place upon the lines of Conrail, Inc., all as directed by the Lessor; the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same, subject to satisfactory indemnity in favor of Lessee and Windsor by Lessor. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver,

store and transport the Units. If Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence or which after the expiration of this Lease the Lessor shall have deemed to have suffered a Casualty Occurrence, it may deliver written notice to such effect to the Lessee and the Lessee shall thereupon assume and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice. Title to any abandoned such Unit suffering a Casualty Occurrence shall automatically pass to Lessee. The Lessee shall have no liability to the Lessor in respect of any Unit abandoned by the Lessor after termination of the Lease; *provided, however*, that the foregoing clause shall not in any way relieve the Lessee of its obligations pursuant to Section 6 hereof to make payments equal to the Casualty Value of any Unit experiencing a Casualty Occurrence while this Lease is in effect.

**Section 13. *Representations and Warranties.*** Lessee hereby represents and warrants to Lessor that:

A. The Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of Delaware with adequate corporate power to enter into this Lease;

B. This Lease has been duly authorized, executed and delivered by the Lessee and constitutes the valid, legal and binding agreements of the Lessee, enforceable in accordance with its terms;

C. Except as the same have been made, no filing, recording or deposit (or giving of notice) with any federal, state, provincial or local government is necessary in order to protect and perfect the interests of the Lessor in and to the Units;

D. No approval is required from any public regulatory body with respect to the entering into or performance of this Lease;

E. The entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound; and

F. No mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessee, now attaches or hereafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units.

**Section 14. *Recording; Expenses.*** The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, re-register, deposit and redeposit or re-record) whenever required any and all instruments required by law or reasonably requested by the Lessor for the purpose of proper protection and perfection, to Lessor's satisfaction, of the Lessor's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the

Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor. The Lessee shall bear the expense of compliance with this paragraph.

[Section 15. [This section intentionally left blank.]]

Section 16. *Interest on Overdue Rentals.* Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 18% per annum of the overdue rentals for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 17. *Notices.* Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States registered mail, first-class postage prepaid, addressed as follows:

(a) if to the Lessor, at Three First National Plaza, Suite 1240, Chicago, Illinois 60602; and

(b) if to the Lessee, at 1828 L Street, N.W., Suite 402, Washington, D.C. 20036, attention: President;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

Section 18. *Severability; Effect and Modification of Lease.* Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 19. *Execution.* This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Though this Lease is dated as of August 29, 1994 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

Section 20. *Law Governing.* The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois.

Section 21. *Expropriation.* In the event that during the term of this Lease the use of any Unit is requisitioned or taken by any governmental authority under the power of

expropriation or otherwise, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. Provided such rent is paid, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

**Section 22. *Financing Arrangements.*** Lessee acknowledges that Lessor may in future seek financing for or to sell the Units and to grant to the Lease Assignee (as hereinafter defined) providing such financing both an assignment of this Lease and a security interest in the Units. In connection with such financing or sale, Lessee agrees to use reasonable efforts to cooperate with Lessor upon Lessor's reasonable request. It is understood and agreed that Lessor or any Lease Assignee may assign this Lease with respect to some or all of the Units to any security trustee, secured party or owner of such Units (each herein a "Lease Assignee"). Lessee shall consent to and acknowledge in writing, upon receipt of notice of assignment, such assignment of this Lease by Lessor or any Lease Assignee; provided, that any such consent and/or acknowledgement shall not in any manner change the rights, obligations, duties or legal position of the Lessee or impair Lessee's rights of quiet enjoyment. Lessor agrees that the rights of any Lease Assignee shall be subject to all the terms and conditions of this Lease. Each Lease Assignee shall agree that the rights of any subsequent Lease Assignee shall also be subject to all the terms and conditions of this Lease.

**Section 23. *Purchase Option.*** On the fifth anniversary of the first day of the month following the date hereof, the Lessee shall have the right to purchase all, but not less than all, of the Units then subject to this Lease (free and clear of the rights of any Lease Assignee) for a price equal to \$1,932 per Car and \$25,746 per Locomotive, provided that no Event of Default has occurred and is then continuing and Lessee has given Lessor at least 180 days prior written notice of the exercise of such option. Any notice given under this paragraph, once given, shall be irrevocable. Lessee shall pay all sales, use and other taxes in connection with the purchase of the Units, and shall purchase the Units on an "as-is, where-is" basis pursuant to a bill of sale disclaiming all warranties and representations excluded under this Lease.



IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

RESIDUAL BASED FINANCE CORPORATION

By: 

Title: President

IRON ROAD RAILWAYS INCORPORATED

By: 

Title: PRESIDENT

THIS IS COUNTERPART NUMBER 4 OF 8 SERIALY NUMBERED, MANUALLY EXECUTED COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST, AND NO RIGHT, TITLE OR INTEREST IN THIS LEASE, MAY BE EFFECTED BY THE TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NUMBER ONE.

STATE OF ILLINOIS )  
 ) SS  
COUNTY OF COOK )

On this 29th day of August, 1994, before me personally appeared Vincent A. Kolber, to me personally known, who, being by me duly sworn, says that he is President of RESIDUAL BASED FINANCE CORPORATION, that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

*Sharon L. Ricciardi*

OFFICIAL SEAL Notary Public  
SHARON L. RICCIARDI  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXP. AUG. 30, 1997

My commission expires \_\_\_\_\_

STATE OF ILLINOIS )  
 ) SS  
CITY OF COOK )

On this 29th day of August, 1994, before me personally appeared Robert T. Schmidt, to me personally known, who, being by me duly sworn, did say that he is the President of IRON ROAD RAILWAYS INCORPORATED, a Delaware corporation, and that the foregoing instrument was signed on behalf of said association by authority of its Board of Directors, and said Robert T. Schmidt acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the City and State aforesaid, the day and year first above-written.

*Michele M. Alessi*  
Notary Public

(SEAL)

"OFFICIAL SEAL"  
MICHELE M. ALESSI  
Notary Public, State of Illinois  
My Commission Expires 2/26/96

## Schedule A

### Description of Units

#### Eight (8) Montreal Locomotive Works ("ALCO") Model RS23, 1,000 HP Diesel Locomotives

Present Marks	Permanent Marks	Present Marks	Permanent Marks
CP 8026	WHRC 8026	CP 8038	WHRC 8038
CP 8027	WHRC 8027	CP 8041	WHRC 8041
CP 8036	WHRC 8036	CP 8042	WHRC 8042
CP 8037	WHRC 8037	CP 8046	WHRC 8046

#### Seventy-six (76) 70 Ton, 1,900 Cubic Feet, Drop Bottom Gondolas, AAR Car Code Type G188

Present Marks	Permanent Marks	Present Marks	Permanent Marks
CP 352924	WHRC 352924	CP 352962	WHRC 352962
CP 352925	WHRC 352925	CP 352963	WHRC 352963
CP 352926	WHRC 352926	CP 352964	WHRC 352964
CP 352927	WHRC 352927	CP 352965	WHRC 352965
CP 352928	WHRC 352928	CP 352966	WHRC 352966
CP 352929	WHRC 352929	CP 352967	WHRC 352967
CP 352930	WHRC 352930	CP 352968	WHRC 352968
CP 352931	WHRC 352931	CP 352969	WHRC 352969
CP 352932	WHRC 352932	CP 352970	WHRC 352970
CP 352933	WHRC 352933	CP 352971	WHRC 352971
CP 352934	WHRC 352934	CP 352972	WHRC 352972
CP 352935	WHRC 352935	CP 352973	WHRC 352973
CP 352936	WHRC 352936	CP 352974	WHRC 352974
CP 352937	WHRC 352937	CP 352975	WHRC 352975
CP 352938	WHRC 352938	CP 352976	WHRC 352976
CP 352939	WHRC 352939	CP 352977	WHRC 352977
CP 352940	WHRC 352940	CP 352978	WHRC 352978
CP 352941	WHRC 352941	CP 352979	WHRC 352979
CP 352942	WHRC 352942	CP 352980	WHRC 352980
CP 352943	WHRC 352943	CP 352981	WHRC 352981
CP 352944	WHRC 352944	CP 352982	WHRC 352982
CP 352945	WHRC 352945	CP 352983	WHRC 352983
CP 352946	WHRC 352946	CP 352984	WHRC 352984
CP 352947	WHRC 352947	CP 352985	WHRC 352985
CP 352948	WHRC 352948	CP 352986	WHRC 352986
CP 352949	WHRC 352949	CP 352987	WHRC 352987
CP 352950	WHRC 352950	CP 352988	WHRC 352988
CP 352951	WHRC 352951	CP 352989	WHRC 352989
CP 352952	WHRC 352952	CP 352990	WHRC 352990
CP 352953	WHRC 352953	CP 352991	WHRC 352991
CP 352954	WHRC 352954	CP 352992	WHRC 352992
CP 352955	WHRC 352955	CP 352993	WHRC 352993
CP 352956	WHRC 352956	CP 352994	WHRC 352994
CP 352957	WHRC 352957	CP 352995	WHRC 352995
CP 352958	WHRC 352958	CP 352996	WHRC 352996
CP 352959	WHRC 352959	CP 352997	WHRC 352997
CP 352960	WHRC 352960	CP 352998	WHRC 352998
CP 352961	WHRC 352961	CP 352999	WHRC 352999

Schedule B  
Casualty Value Schedule

admin/ironroad

SCHEDULE B Casualty Values

US\$

23-Aug-94

Payment	% Cost	Per Car	Per Locomotive	Payment	% Cost	Per Car	Per Locomotive
1	120%	\$5,520	\$73,560	43	89%	\$4,094	\$54,557
2	120%	\$5,520	\$73,560	44	88%	\$4,048	\$53,944
3	120%	\$5,520	\$73,560	45	87%	\$4,002	\$53,331
4	120%	\$5,520	\$73,560	46	86%	\$3,956	\$52,718
5	120%	\$5,520	\$73,560	47	85%	\$3,910	\$52,105
6	120%	\$5,520	\$73,560	48	84%	\$3,864	\$51,492
7	120%	\$5,520	\$73,560	49	83%	\$3,818	\$50,879
8	120%	\$5,520	\$73,560	50	82%	\$3,772	\$50,266
9	120%	\$5,520	\$73,560	51	81%	\$3,726	\$49,653
10	120%	\$5,520	\$73,560	52	80%	\$3,680	\$49,040
11	120%	\$5,520	\$73,560	53	79%	\$3,634	\$48,427
12	120%	\$5,520	\$73,560	54	78%	\$3,588	\$47,814
13	119%	\$5,474	\$72,947	55	77%	\$3,542	\$47,201
14	118%	\$5,428	\$72,334	56	76%	\$3,496	\$46,588
15	117%	\$5,382	\$71,721	57	75%	\$3,450	\$45,975
16	116%	\$5,336	\$71,108	58	74%	\$3,404	\$45,362
17	115%	\$5,290	\$70,495	59	73%	\$3,358	\$44,749
18	114%	\$5,244	\$69,882	60	72%	\$3,312	\$44,136
19	113%	\$5,198	\$69,269	61	71%	\$3,266	\$43,523
20	112%	\$5,152	\$68,656	62	70%	\$3,220	\$42,910
21	111%	\$5,106	\$68,043	63	69%	\$3,174	\$42,297
22	110%	\$5,060	\$67,430	64	68%	\$3,128	\$41,684
23	109%	\$5,014	\$66,817	65	67%	\$3,082	\$41,071
24	108%	\$4,968	\$66,204	66	66%	\$3,036	\$40,458
25	107%	\$4,922	\$65,591	67	65%	\$2,990	\$39,845
26	106%	\$4,876	\$64,978	68	64%	\$2,944	\$39,232
27	105%	\$4,830	\$64,365	69	63%	\$2,898	\$38,619
28	104%	\$4,784	\$63,752	70	62%	\$2,852	\$38,006
29	103%	\$4,738	\$63,139	71	61%	\$2,806	\$37,393
30	102%	\$4,692	\$62,526	72	60%	\$2,760	\$36,780
31	101%	\$4,646	\$61,913	73	59%	\$2,714	\$36,167
32	100%	\$4,600	\$61,300	74	58%	\$2,668	\$35,554
33	99%	\$4,554	\$60,687	75	57%	\$2,622	\$34,941
34	98%	\$4,508	\$60,074	76	56%	\$2,576	\$34,328
35	97%	\$4,462	\$59,461	77	55%	\$2,530	\$33,715
36	96%	\$4,416	\$58,848	78	54%	\$2,484	\$33,102
37	95%	\$4,370	\$58,235	79	53%	\$2,438	\$32,489
38	94%	\$4,324	\$57,622	80	52%	\$2,392	\$31,876
39	93%	\$4,278	\$57,009	81	51%	\$2,346	\$31,263
40	92%	\$4,232	\$56,396	82	50%	\$2,300	\$30,650
41	91%	\$4,186	\$55,783	83	49%	\$2,254	\$30,037
42	90%	\$4,140	\$55,170	84	48%	\$2,208	\$29,424